

**WAX LAKE EAST DRAINAGE DISTRICT
OF THE PARISH OF ST. MARY,
STATE OF LOUISIANA**

FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2004

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 5/18/05

TABLE OF CONTENTS

FINANCIAL SECTION	<u>Page</u>
Independent Auditor's Report	1-2
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	4
Statement of Activities	5
Fund Financial Statements:	
<i>Balance sheet - Governmental Funds</i>	6
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	7
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	8
Budgetary Comparison Schedule - General Fund	9
Notes to financial statements	10-17
 SUPPLEMENTAL INFORMATION	
INTERNAL CONTROL AND COMPLIANCE REPORT	
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	19-20
 OTHER SUPPLEMENTARY INFORMATION	
Summary Schedule of Prior Year Findings	21
Schedule of Findings and Questioned Costs	22-23
Management's Corrective Action Plan for Current Year Findings	24



(A Corporation of Certified Public Accountants)

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Independent Auditor's Report

Board of Commissioners
Wax Lake East Drainage District of the
Parish of St. Mary, State of Louisiana
Patterson, Louisiana

We have audited the accompanying financial statements of the Wax Lake East Drainage District of the Parish of St. Mary, State of Louisiana, a component unit of the St. Mary Parish Council, as of and for the year ended September 30, 2004, as listed in the table of contents. These financial statements are the responsibility of the District's officials. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Wax Lake East Drainage District of the Parish of St. Mary, State of Louisiana, as of September 30, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 23, 2004, on our consideration of the District's internal control over financial reporting, and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

The budgetary comparison information is not a required part of the financial statements but supplementary information required by accounting principals generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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American Institute of
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Society of Louisiana
Certified Public Accountants

The management's discussion and analysis is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. However, management did not include this information in the financial statements for the fiscal year ended September 30, 2004.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying financial information listed as "Supplemental Information" in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Wax Lake East Drainage District of the Parish of St. Mary, State of Louisiana. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the respective financial statements taken as a whole.

Dannall, Sikes & Frederick

A Corporation of Certified Public Accountants

Morgan City, Louisiana
November 23, 2004

FINANCIAL SECTION

WAX LAKE EAST DRAINAGE DISTRICT
OF THE PARISH OF ST. MARY,
STATE OF LOUISIANA

Statement of Net Assets
September 30, 2004

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash	\$ 3,634,219
Interest-bearing deposits, at cost	1,094,275
Receivables:	
Accrued interest	4,234
Other	300
Due from other governmental unit	312
Total current assets	<u>4,733,340</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>1,130,059</u>
Total assets	<u>\$ 5,863,399</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 393,276
Accrued liabilities	2,726
Due to other governmental unit	284
Interest payable	13,223
Current portion of bonds payable	125,000
Noncurrent liabilities:	
Bonds payable	<u>3,840,000</u>
Total liabilities	<u>4,374,509</u>
NET ASSETS	
Invested in capital assets	278,959
Restricted for debt service	29,358
Unrestricted	<u>1,180,573</u>
Total net assets	<u>\$ 1,488,890</u>

The accompanying notes are an integral part of this statement.

WAX LAKE EAST DRAINAGE DISTRICT
OF THE PARISH OF ST. MARY,
STATE OF LOUISIANA

Statement of Activities
Year Ended September 30, 2004

			Net (Expense) Revenue And Changes in Net Assets
<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	<u>Governmental Activities</u>
Governmental activities:			
General government	\$ 317,544	\$ -	\$ (317,544)
Drainage work	<u>130,089</u>	<u>-</u>	<u>(130,089)</u>
Total governmental activities	<u>447,633</u>	<u>-</u>	<u>(447,633)</u>
General Revenues:			
Ad valorem taxes			578,671
Intergovernmental			48,153
Miscellaneous			12,110
Interest income			<u>53,522</u>
Total general revenues			692,456
Change in net assets			244,823
Net assets -- beginning			<u>1,244,067</u>
Net assets -- end			<u>\$ 1,488,890</u>

The accompanying notes are an integral part of this statement.

WAX LAKE EAST DRAINAGE DISTRICT
OF THE PARISH OF ST. MARY,
STATE OF LOUISIANA

Balance Sheet
Governmental Funds
September 30, 2004

	General	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Cash	\$ 10,620	\$ 29,358	\$ 3,594,241	\$ 3,634,219
Interest-bearing deposits, at cost	1,094,275	-	-	1,094,275
Receivables -				
Accrued interest	4,234	-	-	4,234
Other	300	-	-	300
Due from other governmental unit	312	-	-	312
Total assets	<u>\$ 1,109,741</u>	<u>\$ 29,358</u>	<u>\$ 3,594,241</u>	<u>\$ 4,733,340</u>
LIABILITIES AND FUND EQUITY				
Liabilities:				
Accounts payable	\$ 6,029	\$ -	\$ 387,247	\$ 393,276
Accrued liabilities	2,726	-	-	2,726
Due to other governmental unit	284	-	-	284
Total liabilities	<u>9,039</u>	<u>-</u>	<u>387,247</u>	<u>396,286</u>
Fund balance:				
Reserved for debt service	-	29,358	-	29,358
Reserved for capital projects	-	-	3,206,994	3,206,994
Unreserved	1,100,702	-	-	1,100,702
Total fund balance	<u>1,100,702</u>	<u>29,358</u>	<u>3,206,994</u>	<u>4,337,054</u>
Total liabilities and fund balance	<u>\$ 1,109,741</u>	<u>\$ 29,358</u>	<u>\$ 3,594,241</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

1,130,059

Long-term liabilities, comprised of bonds payable, are not due and payable in the current period and therefore not reported in the funds.

(3,965,000)

Accrued interest payable on long-term debt

(13,223)

Net assets of governmental activities

\$ 1,488,890

The accompanying notes are an integral part of this statement.

WAX LAKE EAST DRAINAGE DISTRICT
OF THE PARISH OF ST. MARY
STATE OF LOUISIANA

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2004

	General Fund	Debt Service	Capital Projects	Total Governmental Funds
Revenues:				
Taxes	\$ 287,651	\$ 291,020	\$ -	\$ 578,671
Intergovernmental	48,153	-	-	48,153
Miscellaneous	4,058	-	1,112	5,170
Interest income	10,998	850	48,614	60,462
Total revenues	<u>350,860</u>	<u>291,870</u>	<u>49,726</u>	<u>692,456</u>
Expenditures:				
Current -				
Advertising	866	-	-	866
Capital outlay	-	-	805,517	805,517
Contract labor	702	-	-	702
Electrical	305	-	-	305
Insurance	22,930	-	-	22,930
Interest expense	-	226,233	-	226,233
Professional fees	6,629	-	-	6,629
Maintenance and repairs	63,397	-	-	63,397
Miscellaneous	1,007	1,047	522	2,576
Natural gas	42,098	-	-	42,098
Office supplies	144	-	-	144
Payroll tax expense	7,809	-	-	7,809
Per diem - board	4,380	-	-	4,380
Principal retirement	-	35,000	-	35,000
Salaries and wages	88,064	-	-	88,064
Supplies	5,080	-	-	5,080
Tax assessor's compensation	9,479	9,607	-	19,086
Telephone	649	-	-	649
Total expenditures	<u>253,539</u>	<u>271,887</u>	<u>806,039</u>	<u>1,331,465</u>
Excess of revenues over expenditures	<u>97,321</u>	<u>19,983</u>	<u>(756,313)</u>	<u>(639,009)</u>
Fund balances, beginning	<u>1,003,381</u>	<u>9,375</u>	<u>3,963,307</u>	<u>4,976,063</u>
Fund balances, ending	<u>\$ 1,100,702</u>	<u>\$ 29,358</u>	<u>\$ 3,206,994</u>	<u>\$ 4,337,054</u>

The accompanying notes are an integral part of this statement.

WAX LAKE EAST DRAINAGE DISTRICT
OF THE PARISH OF ST. MARY,
STATE OF LOUISIANA

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities

Year Ended September 30, 2004

Amounts reported for governmental activities in the statement
of activities are different because:

Net change in fund balances - governmental funds	\$ (639,009)
--	--------------

Governmental funds report capital outlays as expenditures, however, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	781,930
--	---------

The governmental funds report principal payments on general obligation bonds as expenditures. However, for purposes of governmental activities, such payments are a direct reduction of the debt.	35,000
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Interest on long-term debt in the statement of activities differs from the amount reported in the government funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities; however, interest expense is recognized as the interest accrues, regardless of when it is due. Therefore, we must add back the difference between the current and prior year interest accruals.	<u>66,902</u>
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Change in net assets of governmental activities	<u>\$ 244,823</u>
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The accompanying notes are an integral part of this statement.

WAX LAKE EAST DRAINAGE DISTRICT
OF THE PARISH OF ST. MARY,
STATE OF LOUISIANA

General Fund
Budgetary Comparison Schedule
Year Ended September 30, 2004

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Favorable
				(Unfavorable)
Revenues:				
Taxes	\$ 277,000	\$ 287,000	\$ 287,651	\$ 651
Intergovernmental	55,000	50,000	48,153	(1,847)
Miscellaneous	23,000	15,000	15,056	56
Total revenues	<u>355,000</u>	<u>352,000</u>	<u>350,860</u>	<u>(1,140)</u>
Expenditures:				
Current -				
Advertising	1,100	1,522	866	656
Capital outlay	5,000	1,000	-	1,000
Contract labor	-	-	702	(702)
Electrical	150	150	305	(155)
Insurance	24,000	24,000	22,930	1,070
Professional fees	4,200	4,200	6,629	(2,429)
Maintenance and repairs	87,000	87,000	63,397	23,603
Miscellaneous	1,200	1,200	1,007	193
Natural gas	85,000	85,000	42,098	42,902
Office supplies	200	200	144	56
Payroll tax expense	5,900	5,900	7,809	(1,909)
Per diem - board	4,440	4,440	4,380	60
Salaries and wages	84,000	84,000	88,064	(4,064)
Supplies	9,000	9,000	5,080	3,920
Tax assessor's compensation	9,300	9,300	9,479	(179)
Telephone	650	650	649	1
Total expenditures	<u>321,140</u>	<u>317,562</u>	<u>253,539</u>	<u>64,023</u>
Excess of revenues over expenditures	33,860	34,438	97,321	62,883
Fund balance, beginning	<u>1,003,381</u>	<u>1,003,381</u>	<u>1,003,381</u>	<u>-</u>
Fund balance, ending	<u>\$ 1,037,241</u>	<u>\$ 1,037,819</u>	<u>\$ 1,100,702</u>	<u>\$ 62,883</u>

The accompanying notes are an integral part of this statement.

WAX LAKE EAST DRAINAGE DISTRICT
OF THE PARISH OF ST. MARY,
STATE OF LOUISIANA

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Wax Lake East Drainage District of the Parish of St. Mary, State of Louisiana (District), which is a component unit of the St. Mary Parish Council, was created by Ordinance No. 706 of the St. Mary Parish Police Jury on August 11, 1965. The purpose of the District is the draining and reclaiming of the undrained or partially drained marsh, swamp, and overflowed lands in the area specified in its creation ordinance.

Financial Reporting Entity

This report includes all funds which are controlled by or dependent on the District executive and legislative branches (the Board of Commissioners). Control by or dependence on the District was determined on the basis of budget adoptions, taxing authority, authority to issue debt, election or appointment of governing body, and other general oversight responsibility. The District is an integral part of the Parish of St. Mary.

Government-Wide and Fund Financial Statements

The government-wide financial statements report information on all of the activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Both the government-wide and the fund financial statement categorize primary activities as governmental.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Taxes and items not properly included among program revenues* are reported as *general revenues*.

A separate financial statement is provided for the governmental funds.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues in the year for which they are earned.

WAX LAKE EAST DRAINAGE DISTRICT
OF THE PARISH OF ST. MARY,
STATE OF LOUISIANA

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities for the current period. For this purpose, the government considers revenues to be *available* if they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Ad valorem taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Ad valorem taxes are recognized as revenues in the year in which such taxes are levied and billed to taxpayers. Other major revenues that are considered susceptible to accrual include earned grant revenues and other intergovernmental revenues, and interest on investments.

The following fund types are used by the District:

Governmental Funds –

The focus of the governmental funds' measurement (in the fund statement) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the District:

General Fund

The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt.

Capital Projects Fund

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

WAX LAKE EAST DRAINAGE DISTRICT
OF THE PARISH OF ST. MARY,
STATE OF LOUISIANA

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

All capital assets purchased or acquired with an original cost of \$5000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Drainage system	10-25 years
Equipment	5-10 years
Improvements	5-25 years

Budgetary Practices

Annually, the District adopts a budget for all funds. The budgetary practices include public notice of the proposed budget, public inspection of the proposed budget, and public hearings on the budget. Formal budgetary integration is employed as a management control device during the year. The budget is prepared on a modified accrual basis. Budget amounts included in the accompanying general purpose financial statements reflect originally adopted budget amounts and all subsequent amendments. All budgetary appropriations lapse at the end of each fiscal year.

Vacation and Sick Leave

The District has no existing written policy on vacation and sick leave. These are recognized as expenditures when paid.

Interest-bearing Deposits

Interest-bearing deposits are stated at cost, which approximates market. The interest-bearing deposits are time deposits which are fully secured through the pledge of bank-owned securities or the Federal Deposit Insurance Corporation (FDIC) insurance coverage.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the District as an extension of formal budgetary integration in the funds.

WAX LAKE EAST DRAINAGE DISTRICT
OF THE PARISH OF ST. MARY,
STATE OF LOUISIANA

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles, requires management to make certain estimates and assumptions. Those estimates affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results may differ from these estimates.

NOTE 2 CASH AND INTEREST-BEARING DEPOSITS

Under state law, the District may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The District may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At September 30, 2004, the District has cash and interest-bearing deposits (book balances) totaling \$4,728,494 as follows:

Demand	\$ 369,958
Money Market Accounts	3,634,219
Time deposits	<u>724,317</u>
Total	<u>\$ 4,728,494</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Deposit balances (bank balances) at September 30, 2004, are as follows:

Bank balances	<u>\$ 4,730,376</u>
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At September 30, 2004, the deposits are secured as follows:

Federal deposit insurance	177,970
Pledged securities (Category 3)	<u>5,100,087</u>
Total federal insurance and pledged securities	<u>5,278,057</u>
Excess of federal insurance and securities pledged	<u>\$ 547,681</u>

WAX LAKE EAST DRAINAGE DISTRICT
OF THE PARISH OF ST. MARY,
STATE OF LOUISIANA

Notes to Financial Statements

NOTE 2 CASH AND INTEREST-BEARING DEPOSITS (CONTINUED)

Pledged securities in Category 3 include uninsured or unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the District's name. Even though the pledged securities are considered uncollateralized (Category 3), Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand.

NOTE 3 AD VALOREM TAXES

Ad valorem taxes attach as an enforceable lien on property within the District's taxing area as of January 1 of each year. Taxes are levied by the District in September or October and are actually billed to taxpayers in November or December. Billed taxes become delinquent on January 1 of the following year. The St. Mary Parish Sheriff bills and collects the District's property taxes using the assessed values determined by the tax assessor of St. Mary Parish. District property tax revenues are budgeted in the year billed.

For the year ended September 30, 2004, 10.43 mills were authorized and dedicated as follows:

Maintenance and operation	5.18 mills
Debt service	5.25 mills

Total taxes levied were \$578,671. There were no taxes receivable at September 30, 2004.

NOTE 4 DUE FROM OTHER GOVERNMENTAL UNITS

Amount due from St. Mary Parish Council	\$ 104
Amount due from City of Patterson	104
Amount due from Town of Berwick	<u>104</u>
Total	<u>\$ 312</u>

NOTE 5 DUE TO OTHER GOVERNMENTAL UNITS

Due to an over payment received from the Town of Berwick, the District owes the Town \$284 as of September 30, 2004.

WAX LAKE EAST DRAINAGE DISTRICT
OF THE PARISH OF ST. MARY,
STATE OF LOUISIANA

Notes to Financial Statements

NOTE 6 CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended September 30, 2004 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Construction in progress	\$ 45,583	\$ 805,517	\$ -	\$ 851,100
Capital assets being depreciated:				
Drainage property	447,444	-	-	447,444
Equipment	47,790	-	-	47,790
Improvements other than buildings	7,287	-	-	7,287
Total capital assets being depreciated	<u>502,521</u>	<u>-</u>	<u>-</u>	<u>502,521</u>
Less accumulated depreciation for:				
Drainage property	(190,723)	(17,898)	-	(208,621)
Equipment	(9,203)	(5,398)	-	(14,601)
Improvements other than buildings	(49)	(291)	-	(340)
Total accumulated depreciation	<u>(199,975)</u>	<u>(23,587)</u>	<u>-</u>	<u>(223,562)</u>
Capital assets being depreciated, net	<u>302,546</u>	<u>(23,587)</u>	<u>-</u>	<u>278,959</u>
Capital assets, net	<u>\$ 348,129</u>	<u>\$ 781,930</u>	<u>\$ -</u>	<u>\$ 1,130,059</u>

WAX LAKE EAST DRAINAGE DISTRICT
OF THE PARISH OF ST. MARY,
STATE OF LOUISIANA

Notes to Financial Statements

NOTE 7 CHANGES IN LONG-TERM DEBT

	Balance 9/30/2003	Additions	Deletions	Balance 9/30/2004	Due Within One Year
General Obligation Bonds	<u>\$ 4,000,000</u>	<u>\$ -</u>	<u>\$ 35,000</u>	<u>\$ 3,965,000</u>	<u>\$ 125,000</u>

Bonds payable at September 30, 2004, is comprised of the following issues:

General obligation bonds:

\$4,000,000 general obligation bonds,
Series 2003, issued April 1, 2003 for
construction of Berwick Borrow Canal
Pump Station, payable in annual
installments of \$35,000 to \$320,000
through March 1, 2023, with a variable
interest rate ranging from 3.5% to 4.5%.

\$ 3,965,000

The annual requirements to amortize all debt outstanding as of September 30, 2004 are as follows:

Year Ending September 30,	Principal	Interest	Total
2005	\$ 125,000	\$ 155,863	\$ 280,863
2006	130,000	150,125	280,125
2007	140,000	144,050	284,050
2008	145,000	137,638	282,638
2009	155,000	131,081	286,081
2010-2014	905,000	552,488	1,457,488
2015-2019	1,175,000	359,295	1,534,295
2020-2023	<u>1,190,000</u>	<u>101,241</u>	<u>1,291,241</u>
	<u>\$ 3,965,000</u>	<u>\$ 1,731,781</u>	<u>\$ 5,696,781</u>

WAX LAKE EAST DRAINAGE DISTRICT
OF THE PARISH OF ST. MARY,
STATE OF LOUISIANA

Notes to Financial Statements

NOTE 8 COMPENSATION PAID BOARD MEMBERS

For the year ended September 30, 2004, the following individuals served on the Board of Commissioners and received per diem allowance as follows:

<u>Name</u>	<u>Amount</u>
Anthony Boudreaux	\$ 660
Leroy Gray	660
Lee Felterman	360
Joseph Keller	780
Jeffrey LaGrange	600
Louis Ratcliff	660
Richard Grow	660
	<u>\$ 4,380</u>

NOTE 9 SOCIAL SECURITY SYSTEM

All employees of the District participate in the Social Security System. The District and its employees contribute a percentage of each employee's salary to the System (7.65% contributed by the District and 7.65% by the employee). The District's contribution during the year ended September 30, 2004 amounted to \$7,809.

NOTE 10 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has elected to purchase insurance coverage through the commercial insurance market to cover its exposure to loss. The District is insured up to policy limits for each of the above risks. There were no significant changes in coverages, retentions, or limits during the year ended September 30, 2004. Settled claims have not exceeded the commercial coverages in any of the previous three fiscal years.

NOTE 11 LITIGATION AND CLAIMS

There is no pending or threatened litigation involving the District or any unasserted claims which should be disclosed at September 30, 2004.

**SUPPLEMENTAL
INFORMATION**



(A Corporation of Certified Public Accountants)

Eugene H. Darnall, CPA, Retired 1990
Paula D. Bihm, CPA Deceased 2002

E. Larry Sikes, CPA, CVA, CFP™
Danny P. Frederick, CPA
Clayton E. Darnall, CPA, CVA
Eugene H. Darnall, III, CPA
Stephanie M. HigginBotham, CPA
John P. Armato, CPA
Jennifer S. Ziegler, CPA, CFP™
Chris A. Miller, CPA, CVA
Stephen R. Dischler, MBA, CPA
Steven G. Moosa, CPA

Erich G. Loewer, Jr. CPA

Kathleen T. Darnall, CPA
Erich G. Loewer, III, MTX CPA
Tamera T. Landry, CPA
Raegan D. Maggio, CPA
Barbara A. Clark, CPA
Monica F. Laverne, CPA
Lauren F. Verrett, CPA
Michelle B. Borrello, CPA
Jeremy C. Meaux, CPA
Kevin S. Young, CPA
Barbara Ann Watts, CPA
Adam J. Curry, CPA

**Independent Auditor's Report on Compliance and on
Internal Control over Financial Reporting Based on an
Audit of General Purpose Financial Statements Performed
in Accordance with *Government Auditing Standards***

Board of Commissioners
Wax Lake East Drainage District of the
Parish of St. Mary, State of Louisiana
Patterson, Louisiana

We have audited the financial statements of Wax Lake East Drainage District of the Parish of St. Mary, State of Louisiana, a component unit of the St. Mary Parish Council as of and for the year ended September 30, 2004, and have issued our report thereon dated November 23, 2004, which was unqualified. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Wax Lake East Drainage District of the Parish of St. Mary, State of Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Wax Lake East Drainage District of the Parish of St. Mary, State of Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 2004-1.

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A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is a material weakness.

This report is intended for the information of the District's management and others within the organization and is not intended to be and should not be used by anyone other than those specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document, therefore its distribution is not limited.

Darnall, Sikes & Frederick
A Corporation of Certified Public Accountants

Morgan City, Louisiana
November 23, 2004

WAX LAKE EAST DRAINAGE DISTRICT
OF THE PARISH OF ST. MARY,
STATE OF LOUISIANA

Summary Schedule of Prior Year Findings
September 30, 2004

2003-1 Finding: Inadequate Segregation of Accounting Functions
Status: This finding is unresolved. See current year finding 2004-1.

WAX LAKE EAST DRAINAGE DISTRICT
OF THE PARISH OF ST. MARY,
STATE OF LOUISIANA

Schedule of Findings and Questioned Costs
September 30, 2004

Part 1: Summary of Auditor's Results

FINANCIAL STATEMENTS

Auditor's Report – Financial Statements

An unqualified opinion has been issued on Wax Lake East Drainage District's financial statements as of and for the year ended September 30, 2004.

Reportable Conditions – Financial Statements

One reportable condition in internal control over financial reporting was disclosed during the audit of the financial statements and is shown as item 2004-1 in Part 2 and is considered a material weakness.

Material Noncompliance – Financial Reporting

The results of our tests disclosed no instances of noncompliance which are required to be reported under *Government Auditing Standards*.

Part 2: Findings Relating to an Audit in Accordance with *Governmental Auditing Standards*

2004-1 Inadequate Segregation of Accounting Functions

Finding:

Due to the small number of accounting personnel, the District did not have adequate segregation of functions within the accounting systems.

Recommendation:

Based upon the size of the operation and the cost benefit of additional personnel it may not be feasible to achieve complete segregation of duties.

WAX LAKE EAST DRAINAGE DISTRICT
OF THE PARISH OF ST. MARY,
STATE OF LOUISIANA

Schedule of Findings and Questioned Costs (Continued)
September 30, 2004

Part 3: Findings and Questioned Costs Relating to Federal Programs

At September 30, 2004, Wax Lake East Drainage District did not meet the requirements to have a single audit in accordance with OMB Circular A-133, therefore this section is not applicable.

WAX LAKE EAST DRAINAGE DISTRICT
OF THE PARISH OF ST. MARY,
STATE OF LOUISIANA

Management's Corrective Action Plan For Current Year Findings
September 30, 2004

Response to Finding 2004-1:

No response is considered necessary.